

EXECUTIVE SUMMARY

PURPOSE

The purpose of this document is to (1) identify emerging issues in the expansion of the Health Care Financing Administration's (HCFA) use of electronic data interchange (EDI) and related technology to achieve paperless processing, and (2) discuss the Office of Inspector General's (OIG) current plans to provide oversight of HCFA's strategy to implement a paperless environment. We have developed it through a review of literature and consultation within the OIG, and with HCFA and others.

BACKGROUND

Electronic Data Interchange is the electronic transfer of information, such as electronic media claims, in a standard format between trading partners. As it relates to health care, this new technology will allow entities within the health care system, connected by an integrated system of electronic communication networks, to exchange medical, billing, and other information and process transactions in a manner which is fast and cost effective. Most of these improvements are likely to result from the significant reduction or elimination of paper transactions.

ISSUES

The HCFA's far-reaching implementation of EDI and paperless processing contains many parts which all relate to the larger strategy and goals of this initiative. Among the significant issues affecting this strategy are the following:

- ▶ *Systems*--such as the Medicare Transaction System (MTS), Medicaid Management Information Systems (MMIS), and point-of-service claims management systems under Medicaid--to process electronically submitted claims and manage data more efficiently.
- ▶ *Standardization*, to facilitate the electronic flow of claims, patient, and reimbursement data between providers, payers, and quality-of-care reviewers.
- ▶ *Incentives and barriers*, to encourage providers to submit claims and patient data electronically.
- ▶ *Companion technologies*, such as smart cards for computerized patient identification and medical records, and national data communications networks for transmission of health care data to complete the electronic cycle.

We discuss the need for a cohesive strategic systems plan covering EDI and paperless processing, to encourage HCFA's information resources management program to address Medicare contractor systems and Federal Medicaid initiatives.

The implementation of these new systems, in particular, carries with it myriad questions regarding trustworthiness and reliability of data as it moves from one partner in electronic commerce to another and from one process to another. Specific issues raised with regard to electronic submission and processing of claims include:

- ▶ *Confidentiality and privacy of patient records*, to ensure that the confidentiality of personally-identifiable health insurance data be strictly maintained and the privacy of patients be maintained.
- ▶ *Internal controls*, to address the adequacy of management controls over operations and specific requirements for controls to safeguard assets against waste, fraud, and abuse.
- ▶ *Audits and certification*, to place more focus on systems at the provider level and to ensure that all EDI and paperless processing systems are trustworthy and reliable.
- ▶ *Contractor conflict of interest*, to pursue the Medicare contractor conflict of interest issue as it relates to proprietary EDI and paperless processing market-driven ventures.
- ▶ *Valid contracts*, to determine the degree of compliance of current and planned Medicare contract requirements with the National Institute of Standards and Technology standards.
- ▶ *Legal use of information submitted*, to ensure the integrity of information through the use of provider agreements, a valid chain of custody, attestation and originator authentication, and the need for audit trails.

CONCLUSION

This document, prepared in response to HCFA's briefing for OIG personnel on EDI and paperless processing issues and its request for more information on the OIG's concerns and plans, has identified numerous issues and goals related to HCFA's use of EDI and paperless processing technology. Issues related to the overall strategy of this initiative concern the development of various systems which will allow HCFA to process electronically submitted claims more efficiently. Other broad issues are standardization, incentives, companion technologies, Medicare contractor systems, and Federal Medicaid initiatives.

This document also raises issues regarding the trustworthiness and reliability of data as it moves from one partner in electronic commerce to another and from one process to another. These issues include confidentiality and privacy, management controls over operations, internal controls, audits and systems certifications, Medicare contractor conflict of interest, validity of contracts, and the integrity of information. Besides having a significant impact on HHS and HCFA's ability to manage the Medicare and Medicaid programs, these issues are critical to the detection of fraud and abuse. We plan to analyze many of these issues for the purpose of preparing our workplan over the next few years.

AGENCY COMMENTS

The Health Care Financing Administration (HCFA) commented on a draft version of this report. The HCFA suggested changes in the report to better reflect its activities and those of the Department with respect to EDI and paperless processing, made suggestions about the focus of OIG's work in this area, and gave us technical comments. We have revised our report to address many of HCFA's comments and also provide additional comments on HCFA's response in Appendix B. The full text of HCFA's comments can be found in Appendix A.